

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3352-01
Bill No.: HB 1396
Subject: Children and Minors; Disabilities; Insurance - Medical
Type: Original
Date: February 11, 2002

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Insurance Dedicated	\$9,850	\$0	\$0
Highway	(\$106,945)	(\$128,333)	(\$128,333)
Conservation	(Less than \$100,000)	(Less than \$100,000)	(Less than \$100,000)
Total Estimated Net Effect on <u>All</u> State Funds	(\$97,095 to \$197,095)	(\$128,333 to \$228,333)	(\$128,333 to \$228,333)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Local Government	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 6 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Social Services** assume this proposal would not fiscally impact their agency.

The **Department of Transportation (DHT)** and the **Department of Public Safety - Missouri State Highway Patrol (MHP)** assume this legislation requires health insurance carriers to provide coverage for hearing aids for dependent children who are covered under a policy or contract and provide coverage for replacement hearing aids for the child at least once every three years or as prescribed by an audiologist. DHT and MHP state according to this legislation, the deductible or co-payment cannot exceed 20% of the actual covered service cost, but the benefit payable for hearing aids may be limited to \$2,500 per hearing aid for each ear with a hearing loss.

DHT and MHP assumes this legislation will have no fiscal impact on DHT and MHP. The Highway & Patrol Medical Plan is not expressly in the statute, but under section 104.801 RSMo., the Medical Plan would have to provide similar coverage. DHT and MHP state effective January 1, 2002, the medical plan is required to cover the initial amplification for a newborn who has hearing loss detected within the first three months of their birth. The medical plan is currently not required to cover replacement amplification devices or hearing aids for children that are not detected with a hearing loss in the first three months of their birth. As a result, DHT and MHP assume this legislation will have a fiscal impact on the Highway & Patrol Medical Plan.

DHT and MHP assume this legislation states that the Medical Plan would also be responsible for coverage of replacement hearing aids every three years or as prescribed by the audiologist. DHT and MHP spoke with an audiologist at the Missouri School for the Deaf who thought that replacement hearing aids every three years for a child was reasonable as long as the hearing aids were behind the ear and not in the ear hearing aids. The only cost that would be required annually is new ear molds, which would be required at least twice a year for a child that is not school age and then at least annually once they are school age. The cost for new ear molds is approximately \$50 per mold. DHT and MHP assume that once an individual reaches their \$2,500 maximum within a three year period that no additional costs would be covered until the third year.

Because the Highway & Patrol Medical Plan is currently required to cover the initial amplification for newborns who have a hearing loss detected within the first three months of birth only and does not currently cover replacement hearing aids or hearing aids for children who are not detected within the first three months of birth, DHT and MHP assume this legislation will have a fiscal impact to the Medical Plan. Information DHT and MHP obtained on the internet

from the Gallaudet University Center for Assessment & Demographic Studies, states that 1.8% of children 3-17 years of age are hearing impaired. DHT and MHP will round up to 2% of

ASSUMPTION (continued)

Highway and Patrol Medical Plan's child population is hearing impaired due to their percentage not including birth to 3 years of age. Based on other information found in a Today news article on the internet, 70% with hearing loss would benefit from the use of hearing aids. The legislation does not specify the age of children. DHT and MHP assume Birth through age 18 years, because the Medical Plan currently covers dependent children until they reach age 19.

DHT and MHP also found in the Gallaudet survey that 4.4% of hearing loss is due to hearing loss at birth. DHT and MHP assume that this is the percentage that would be identified with hearing loss by way of the newborn screenings and the children that the Medical Plan are currently responsible for covering their initial amplification effective January 1, 2002.

DHT and MHP assume that the Medical Plan would cover the hearing aids 100% up to the \$2,500 maximum per hearing aid and that individuals will meet their \$2,500 limit. Based on information from an audiologist with the Missouri School for the Deaf, DHT and MHP also assume that each individual will need two hearing aids.

Currently the Highway & Patrol Medical Plan has 5,599 children enrolled and on average have 295 new births added to the plan annually. Based on the above assumptions, we found that approximately 112 children covered under our medical plan would be hearing impaired ($5,599 \times 2\%$). Of these 112 children DHT and MHP assume that approximately 78 would benefit from the use of hearing aids ($112 \times 70\%$). DHT and MHP also assume that the Medical Plan would have 1 child every 4 years born with hearing loss ($295 \times 2\% \times 4.4\%$). This 1 child is what the Medical Plan is currently responsible for coverage of their initial amplification. If the Medical Plan would have to provide coverage up to \$2,500 for hearing aids/hearing loss ear and replacement hearing aids every three years, the fiscal impact would be approximately \$385,000 every three years ($(78-1) \times (\$2,500 \times 2)$ or \$128,333 annually ($\$385,000/3$). DHT and MHP assume 77% is DHT (\$98,816) and 23% is MHP (\$29,517).

Historically, MHP, DHT, and the plan members have shared in any premium increases necessary because of increases in benefits. The costs may be shared in the long run (meaning shared between three categories: absorbed by the plan, state appropriated funds, and/or costs to individuals covered under the plan). However, the MHP and DHT must make a decision on what portion they will provide. Until a decision is made, DHT and MHP can only provide the cost to the medical plan.

Officials from the **Department of Insurance (INS)** assume insurers and HMOs would be

required to amend their policies to comply with this legislation. Amendments must be filed with INS. INS estimates that 171 insurers and 26 HMOs would be required to file at least one amendment to their policy form with a filing fee of \$50, resulting in revenue of \$9,850 in FY 2003. INS has reached capacity in policy form reviews and the additional workload created by ASSUMPTION (continued)

this legislation would cause delays in policy form reviews. Additional staff are not being requested with this single proposal, but if multiple proposals pass during the legislative session which require policy form amendments, the department would need to request additional staff to handle the increase in workload.

Officials from the **Missouri Consolidated Health Care Plan (HCP)** state that HCP's plans currently allow for hearing aids for HCP members at 20% coinsurance. HCP states hearing aids are available once every two years. HCP assumes this proposal would not fiscally impact their agency.

Department of Conservation (MDC) officials assume the proposed legislation would have a fiscal impact on MDC funds since hearing aids for children are not presently covered by MDC insurance. MDC estimates the impact to be less than \$100,000.

<u>FISCAL IMPACT - State Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
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INSURANCE DEDICATED FUND

<u>Revenue - Department of Insurance</u>			
Form filing fees	<u>\$9,850</u>	<u>\$0</u>	<u>\$0</u>

ESTIMATED NET EFFECT ON INSURANCE DEDICATED FUND	<u>\$9,850</u>	<u>\$0</u>	<u>\$0</u>
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HIGHWAY FUND

<u>Costs - Department of Transportation</u>			
Increased state contribution	(\$82,347)	(\$98,816)	(\$98,816)

<u>Costs - Department of Public Safety - Missouri State Highway Patrol</u>			
Increased state contribution	<u>(\$24,598)</u>	<u>(\$29,517)</u>	<u>(\$29,517)</u>

ESTIMATED NET EFFECT ON

<u>FISCAL IMPACT - State Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
HIGHWAY FUND	<u>(\$106,945)</u>	<u>(\$128,333)</u>	<u>(\$128,333)</u>

CONSERVATION FUND

<u>Cost - Department of Conservation</u>			
Increased state contributions	<u>(Less than \$100,000)</u>	<u>(Less than \$100,000)</u>	<u>(Less than \$100,000)</u>

ESTIMATED NET EFFECT ON CONSERVATION FUND	<u>(Less than \$100,000)</u>	<u>(Less than \$100,000)</u>	<u>(Less than \$100,000)</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

Small businesses with health plans would be expected to be fiscally impacted to the extent that they may incur changes in insurance premiums.

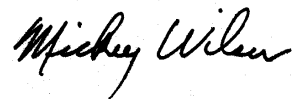
DESCRIPTION

This proposal requires health insurance entities to provide coverage for children's hearing aids. Health insurance entities must provide at least \$2,500 in benefits coverage for each ear with a hearing loss. Deductibles or co-payments cannot exceed 20% of the actual covered service costs.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Social Services
Department of Transportation
Missouri Consolidated Health Care Plan
Department of Insurance
Department of Conservation
Missouri State Highway Patrol

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA
Acting Director
February 11, 2002